

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 DODE-00

PM-04 H-02 INR-07 L-03 NSAE-00 PA-01 PRS-01 USIA-06

AF-06 /084 W

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R 081527Z JAN 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5519

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY ROME

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EAID, EEC, GW

SUBJ: GERMAN AID COOPERATION WITH THE EC AND EC MEMBER  
STATES

1. SUMMARY: FRG ECONCOOPMIN IS CURRENTLY PREPARING  
GERMAN PROPOSALS FOR HARMONIZATION OF EC MEMBER STATE  
AID PROGRAMS. THESE PROPOSALS WILL FOCUS ON LOAN TERMS,  
THE TYING OF CAPITAL ASSISTANCE TO DONOR PROCUREMENT,  
AND THE PERCENTAGE OF GRANTS IN THE TOTAL AID PACKAGE.  
SINCE THE FRG REMAINS FIRM IN DEMANDING THE ACCEPTANCE  
OF HARMONIZATION AS A PRECONDITION FOR AID TO THE NON-  
ASSOCIATES, ECONCOOPMIN BELIEVES THAT THE OTHER EIGHT  
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WILL AGREE TO ADOPT SOME FORM OF HARMONIZATION IN THE

NEAR FUTURE. END SUMMARY.

2. FRITZ FISCHER, DIRECTOR OF OFFICE FOR EC AND BILATERAL AID COOPERATION IN THE MINISTRY FOR ECONOMIC COOPERATION, DISCUSSED RECENT DEVELOPMENTS IN THESE FIELDS WITH EMBOFFS AND OFFERED HIS VIEWS ON EC AND MEMBER STATE COOPERATION IN 1976. IN ADDITION TO THE QUESTION OF EC COOPERATION AND THE HARMONIZATION OF MEMBER STATE DEVELOPMENT ASSISTANCE POLICIES, FISCHER FOCUSED ON BILATERAL CONSULTATIONS AND COOPERATION WITH THE FRENCH.

3. EC AID POLICY: THE HIGHLY-PUBLICIZED DIFFERENCES OF OPINION WHICH AROSE AT THE OCTOBER AID MINISTERS' COUNCIL MEETING IN LUXEMBOURG HAVE LED THE FRG TO TAKE THE INITIATIVE IN RESOLVING THE POLICY DIFFERENCES WITH THE OTHER EIGHT MEMBER STATES. MINISTER FOR ECONCOOP BAHR, WHO BLOCKED VARIOUS PROPOSALS FOR EC AID TO THE NON-ASSOCIATED LDCS IN PROTEST AGAINST THE CONTINUING LACK OF HARMONIZATION OF MEMBER STATE BILATERAL PROGRAMS, AGREED DURING HIS TALKS NOVEMBER 24 IN LONDON WITH HIS BRITISH COUNTERPART PRENTICE TO PUT FORWARD CONCRETE PROPOSALS FOR THE HARMONIZATION OF THE VARIOUS COUNTRY PROGRAMS. FISCHER HAS BEEN CHARGED WITH PREPARING A PAPER FOR DISTRIBUTION TO THE MEMBER STATES WHICH SETS OUT FRG VIEWS AND LISTS SPECIFIC PROPOSALS. ALTHOUGH THE PAPER IS STILL IN THE FORMATIVE STAGE, FISCHER EXPECTS TO RECOMMEND HARMONIZATION IN THREE AREAS: LOAN TERMS, THE PERCENTAGE OF GRANTS IN THE TOTAL AID PACKAGE, AND THE UNTYING OF FUNDS TO DONOR PROCUREMENT. THE FRG IS ALSO KNOWN TO OPPOSE ANY TYPE OF CONCESSIONAL ASSISTANCE TO THE MORE PROSPEROUS OPEC STATES AND MAY ASK THE EC TO ADOPT THIS POSITION AS ANOTHER ELEMENT IN THE HARMONIZATION PACKAGE. FISCHER EMPHASIZED THAT THE FRG DOES NOT INTEND TO TAKE A RIGID POSITION ON THE VARIOUS ELEMENTS OF A HARMONIZED POLICY. WE HAVE THE IMPRESSION FROM THIS THAT THE GERMANS ARE NOT SO MUCH INTERESTED IN HARMONIZATION ON GERMAN TERMS AS THEY ARE INTERESTED IN HARMONIZATION ON MUTUALLY ACCEPTABLE TERMS. FISCHER ALSO SPOKE OF THE NEED TO ADOPT A FLEXIBLE EC POLICY WHICH WOULD TAKE INTO LIMITED OFFICIAL USE

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CONSIDERATION THE LENDING PROGRAMS AND MODALITIES OF THE US, JAPAN, AND SCANDANAVIAN DONORS.

4. FISCHER SPOKE RATHER OPENLY ABOUT THE POSITION OF THE OTHER MEMBER STATES ON EC HARMONIZATION. HE ADMITTED THAT BAHR'S DISCUSSIONS IN LONDON WERE MOST NOTEWORTHY FOR THE POLICY DIFFERENCES WHICH SURFACED, BUT HE DID NOT BELIEVE THAT THE TETE-A-TETE WAS AS

UNPRODUCTIVE AS PRESS REPORTS MIGHT INDICATE. WHILE  
THE BRITISH CHASTISED THE GERMANS FOR BEING SUCH  
TIGHTWADS AND FOR RATHER ARBITRARILY CHOOSING THE ISSUE  
OF AID TO THE NON-ASSOCIATES AS THE ONE TO LATCH THEIR  
HARMONIZATION CRUSADE TO, FISCHER BELIEVES THAT AID TO  
THE NON-ASSOCIATES IS SO IMPORTANT TO THE BRITISH THAT  
THEY WILL ACCEPT FRG HARMONIZATION PROPOSALS IN  
EXCHANGE FOR GERMAN SUPPORT OF AID TO THE NON-ASSOCIATES.  
THE FRENCH WISHED TO CONTINUE THEIR EMPHASIS ON AID  
TO THE FRANCOPHONE STATES; AS A RESULT, THEY HAVE  
SHOWN MINIMAL INTEREST IN EITHER AID TO THE NON-

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ASSOCIATES OR ON POLICY HARMONIZATION. AFTER EXTENSIVE BILATERAL CONTACT WITH THE FRENCH, FISCHER NOW BELIEVES, HOWEVER, THAT THEY ARE COMING AROUND ON THE QUESTION OF BROADER DISTRIBUTION OF COMMUNITY AID. IT REMAINS TO BE SEEN, THOUGH, TO WHAT DEGREE THEIR GENEROSITY WILL EXTEND TO THE NON-ASSOCIATES. THE OTHER EC MEMBERS HAVE BEEN GENERALLY COOPERATIVE ON THE SUBJECT OF HARMONIZATION. WITH THE EXCEPTION OF THE DUTCH, WHO ARE STILL ADVOCATING A MUCH GREATER EMPHASIS ON GRANT AID, THE SMALLER EC MEMBERS SEEM INCLINED TO GO ALONG WITH ANY AGREEMENT WHICH THE GERMANS, BRITISH, AND FRENCH WORK OUT AMONGST THEMSELVES. THERE WAS GENERAL SUPPORT AT THE OCTOBER MEETING IN LIMITED OFFICIAL USE

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LUXEMBOURG FOR ENSURING THAT NO HARMONIZATION PROPOSALS WOULD LEAD TO A NET REDUCTION IN THE FLOW OF RESOURCES TO THE LDCS.

5. BRITISH PROPOSAL FOR AID TO THE NON-ASSOCIATES: FISCHER TOLD US THAT THE UK IS NOW PEDDLING A PROPOSAL FOR RELATIVE PARITY BETWEEN THE LEVELS OF AID TO THE ASSOCIATES AND NON-ASSOCIATES. SUCH AN EQUILIZATION, IF ACHIEVED WITH THE CURRENT LEVEL OF AID TO THE ASSOCIATES, WOULD NECESSITATE \$4 BILLION OF ASSISTANCE TO EACH GROUP ANNUALLY. ALTHOUGH THE FRG IS WILLING TO PROVIDE ASSISTANCE TO THE NON-ASSOCIATES ONCE ITS HARMONIZATION PROPOSALS ARE ACCEPTED, FISCHER IMPLIED THAT SUCH A LEVEL WOULD BE TOO HIGH FOR THE FRG IF THE GERMAN SHARE OF THE EC AID BUDGET WAS HELD CONSTANT.

6. COOPERATION WITH THE FRENCH: BILATERAL AID CONSULTATIONS WERE HELD LATE LAST AUTUMN AS ONE ELEMENT OF THE REGULARLY-SCHEDULED FRENCH-GERMAN FOREIGN POLICY CONSULTATIONS. AS IN PREVIOUS MEETINGS, THE AID CONSULTATIONS WERE RATHER ARID EXCHANGES OF VIEWS ON GENERAL POLICY. THE FRENCH ARE HAMPERED BY THE LACK OF A TRUE MINISTRY FOR DEVELOPMENT ASSISTANCE SINCE THEIR PRESENT AID ADMINISTRATION IS LIMITED TO PROGRAMS IN FRANCOPHONE COUNTRIES. IN ORDER TO CIRCUMVENT THE LACK OF PROGRESS IN THE FORMAL BILATERAL CONSULTATIONS, FISCHER HAS INSTITUTED A BI-ANNUAL CONSULTATIVE GROUP WHICH WILL CONSIST OF WORKING-LEVEL OFFICIALS WHO CAN WORK ON SPECIFIC AREAS OF COOPERATION. THE TWO COUNTRIES HAVE PREVIOUSLY WORKED TOGETHER ON SOME SMALL-SCALE PROJECTS IN AFRICA, BUT FISCHER WOULD LIKE TO SEE THIS COOPERATION BROADENED AND EXPANDED TO OTHER REGIONS. HE HAS RECEIVED HIGH LEVEL GOVERNMENT SUPPORT FOR THIS EFFORT AND HOPES THAT THE FRENCH WILL COME TO THE FIRST MEETING, WHICH WILL BE HELD IN BONN

IN FEBRUARY, WITH THE SAME LEVEL OF COMMITMENT.  
HILLENBRAND

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